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THESIS

U.S. NAVAL PRESENCE IN SOUTHEAST ASIA:
IS IT NECESSARY?

by

Todd A. Gunerman

September 1993

Thesis Advisor:

Claude Buss

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U.S. Naval Presence

In Southeast Asia:

Is It Necessary?

by

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Lieutenant, United States Navy

B.A., Pennsylvania State University, 1986

Submitted in partial fulfillment
of the requirements for the degree of

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ABSTRACT

This thesis is an examination of the need for a U.S. Naval presence in Southeast Asia. With the rapid changes in the world geopolitical order following the collapse of the Soviet Union in 1989, the need for American military presence in all parts of the world is being reexamined. This thesis examines the most recent policy and strategy statements of both the President and the Pentagon and how Southeast Asia might fit in to this new strategy. U.S. national interests in Southeast Asia are reevaluated for the post-Cold War era, concluding that the United States does indeed have strong interests, primarily economic, in the region. There are several potential threats to U.S. interests in Southeast Asia, both internal and external to the region. The internal threats are the traditional rivalries within the region. Potential external threats are from China and Japan seeking regional hegemony. A strong U.S. naval presence will be superior to any regional navy and is essential to ensuring U.S. national interests in the region remain secure.

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EXECUTIVE SUMMARY

"U.S. Naval Presence in Southeast Asia: Is it Necessary?"

**LT Todd A. Gunerman, USN
September, 1993**

This thesis examines the need for a continued Naval presence in Southeast Asia in light of the end of the Cold-War. The hypothesis is that there is in fact a definite need for a continued Naval presence in the region by the United States.

The U.S. Navy has an historical role in protecting U.S. interests in Asia dating back over one hundred years. Beginning with Admiral Perry's opening of Japan and the rescue of American citizens in China during the Boxer Rebellion and continuing through the Cold War and the conflict in Vietnam, the Navy has played a crucial role in preserving and protecting American interests in this part of the world.

The dawn of the post-Cold War era has necessarily resulted in a rethinking of the national military strategy. "The National Military Strategy" released by the Pentagon in 1992 outlines a new vision for the military's role in this new climate. The Navy's "From the Sea...", released the same year defines the Navy's role in the new strategy. This thesis analyzes the Navy's role in Southeast Asia under this new strategy. The regional emphasis in the new strategy stresses the importance of regional security vice the global nature of the Cold War. Southeast Asia, due to its maritime nature, is one particular region where the Navy will have an important role. Forward Presence and Crisis

Response, two of the four pillars in the new military strategy are particularly well suited to the Navy in Southeast Asia.

A reassessment of American interests in Southeast Asia is necessary. In order to justify a military presence in a region the United States must have strong national interests that need protecting. Southeast Asia is one of the fastest growing economic regions in the world and the United States has a large stake in those economies. The region is also situated astride the sea lanes from the Persian Gulf to our allies Japan and Korea. As our largest overseas trading partner, Japan's economic security is vital to our economic security. It is vital to the United States to keep these strategic sea lanes open.

American political interests in Southeast Asia have also changed. Containing communism is no longer our primary goal in the region. Promoting democracy, free markets, and human rights are now the primary U.S. political interests in the region. Much progress is being made in these areas. Regional stability is crucial for continued progress. A strong U.S. Naval presence can ensure that stability.

Recognizing threats to American interests in Southeast Asia is important in order to prevent those threats from harming U.S. interests. Though the region is generally peaceful and currently prosperous, there are deeply embedded historical animosities that could pose a future threat. Various territorial disputes and instability in Cambodia and Burma should be closely monitored. U.S. Naval presence can provide stability and dampen any maritime

disputes that may threaten our interests.

The rise of a regional hegemon potentially unfriendly to the United States is another major threat. A drastic withdrawal of American military presence can greatly increase the possibility of this.

The formation of a protectionist regional trade bloc that excludes the United States could do great harm to U.S. economic interests in the region. Demonstrating our commitment to the region through a strong Naval presence greatly diminishes the chances of this happening.

A strong naval presence in Southeast Asia is important for protecting American interests in the region. The question of how much presence is enough is difficult to answer. The loss of the bases in the Philippines further complicates the issue of maintaining a presence. However, even without these bases the U.S. 7th Fleet is by far the dominant naval force in the region. Its withdrawal could spark a destabilizing naval arms race. The United States has definite national interests in Southeast Asia and maintaining stability there is important to protecting those interests. A strong presence by the U.S. Navy can maintain stability there, and it is therefore in America's interest to maintain its naval presence in Southeast Asia.

I. INTRODUCTION

A. HYPOTHESIS AND CONCEPTUAL FRAMEWORK

The record of the United States in Southeast Asia provides ample evidence that the Navy has been essential for the protection of the national interest in that part of the world. It is the hypothesis of this paper that, just as a U.S. Naval presence in Southeast Asia has been important to protecting the national interest in the past, a continued naval presence there is essential to protecting those interests today and into the future.

First I will examine the new national military strategy and the Navy's role in that strategy and demonstrate how it may be applied to Southeast Asia. Does the new strategy, as articulated by the Pentagon and the Bush administration, address our interests and security concerns in Southeast Asia?

Second, I will reassess the US's interests in Southeast Asia. The end of the Cold-War has necessarily caused us to rethink our interests in every part of the world. We no longer need massive troop strength in Europe to deter a Soviet assault. We no longer need to support or entice anti-communist insurgencies in Central America, Africa, or Central Asia. We no longer need to hold massive military exercises in the North Atlantic, the Mediterranean, or the Indian Ocean.

Do we still need the 7th Fleet in Southeast Asia? What are American interests in this part of the world and what is necessary to protect them?

Third, after establishing what American interests are in Southeast Asia, I will examine the possible threats to those interests. There are potential threats both internal and external to the region. There are potential threats both military and economic. Before determining what type and how much American military presence is necessary it is essential to understand what the possible threats are.

Finally, I will address the problem of what type and how much of a military presence is necessary to protect American interests in Southeast Asia. Recent changes in the region that have affected American military presence and how to cope with those changes will be taken into account.

B. HISTORICAL ROLE OF THE NAVY IN SOUTHEAST ASIA

It is to Manila that we owe the ability to send troops and ships to the defense of our ministers, our missionaries, our consuls, and our merchants in China, instead of being compelled to leave our citizens to the casual protection of other powers, as would have been unavoidable had we flung the Philippines away.¹ Secretary of State John Hay, 1900

The rescue of these citizens by American military forces is but one example of the historical importance of the U.S. Navy in Southeast Asia.

¹ Thomas J. McCormick, "China Market", Chicago, 1967, p. 163

1. Pre Cold-War

The U.S. Navy has a long history in the Western Pacific. The navy has protected national interests in Asia and at times advanced them. Commodore Perry's opening of Japan in 1853 and Commodore Dewey's defeat of the Spanish fleet in Manila Bay in 1898 are the two most prominent examples. The prying open of the China market by the western powers, and the U.S. Navy's role in protecting American interests in the affair, around the turn of the century provides another example.

The revolution in American naval strategy, heavily influenced by the writings of Alfred Thayer Mahan, was reflected by U.S. naval operations in the Western Pacific in the latter half of the 19th century. The repudiation of the traditional American naval strategy of coastal defense and commerce raiding gave way to a navy based on the battleship designed to engage an enemy on the high seas. Mahan argued that a nation could only be great if it maintained a navy powerful enough to control the seas in the face of any adversary.

As the United States emerged from its isolation on the North American continent and became a world class trading nation and military power, its navy played an important role. Protecting sea lines of communication (SLOCs), prying open new markets, and protecting American citizens abroad were all roles played by the navy. The U.S. fleet in the Philippines,

secured by the victory over the Spanish, proved indispensable to American interests in the Pacific.

2. Cold-War

During the Cold War Southeast Asia became a focus of the American policy of containment. Preventing insurgent forces from toppling friendly governments one by one was seen as vital to U.S. interests. Though the U.S. eventually committed large numbers of ground troops to the conflict in Vietnam, the containment policy originally called for the U.S. to supply only naval and air power, with our allies in the area supplying the brunt of the ground troops. In the post-Vietnam era U.S. policy reverted to this concept. Secretary of the Navy John Lehman sought to expand the containment policy from fighting any communist aggression on the ground to maintaining enough naval presence in the western Pacific to destroy the Soviet fleet at its origin in Vladivostok.² This large naval presence would also serve to deter any Soviet destabilization efforts in Southeast Asia.

After Containment, the other primary role the U.S. Navy has had in Southeast Asia is keeping the sea lanes to the Middle East free of obstruction. This is not vital only to the U.S. directly but also indirectly through Japan's and South Korea's near total dependence on Persian Gulf oil. In

² Sheldon W. Simon, "U.S. Interests in Southeast Asia: The Future Military Presence", *Asian Survey*, Vol. 31, no. 7 (July 1991) 663

this context the U.S. role in the area has been described as one of "denial and reassurance" in order to keep the sea lanes to the Middle East open.³ Put more plainly, U.S. objectives were to deny any other power naval dominance in the area, and to reassure both our allies in Southeast Asia and those dependent on the security of the region that those sea lanes will remain unobstructed. The entire cold-war strategy in the Asia-Pacific was essentially a continuation of Mahanian concepts with the aircraft carrier replacing the battleship as the fleet's centerpiece.

C. POST COLD WAR CHALLENGES

Southeast Asia will be associated with the Vietnam War in the minds of Americans for generations to come. Since the final withdrawal of U.S. forces from that country in 1975 Southeast Asia has not been in the forefront of U.S. foreign policy debate. With the end of the Cold War and the apparent lack of a major threat to U.S. security, Southeast Asian issues are considered even less frequently. However, the United States does have national interests in the area. With the major changes in the world order of the last four years (1989-1993) it is time to rethink what our interests in

³ William J. Crowe Jr. and Alan D. Romberg, "Rethinking Pacific Security", *Foreign Affairs*, Vol. 70, no.2 (Spring 1991) p. 136

Southeast Asia are and what policies should be pursued to protect those interests.

With U.S. military presence in the western Pacific destined to be reduced and the complete absence of the Soviet navy, new focus is being placed on the ASEAN nations (Malaysia, the Philippines, Thailand, Indonesia, Singapore, and Brunei) ability to maintain stability on the peninsula and surrounding islands known as South East Asia. To be sure, the non-ASEAN nations of the area (Vietnam, Laos, Cambodia, and Burma) will be just as critical to stability, but at least for now ASEAN is the preferred instrumentality to fill the potential vacuum left by a U.S. departure.

There are reasons for both optimism and concern for the future of the region. On the plus side democratic institutions appear to be taking hold. The Philippines just held peaceful elections (May 1992). The fairness of those elections is debatable but given the past history of elections there, democracy is making progress. Thailand, traditionally one of the more stable countries in the region, was successful in ousting the military regime installed by coup in 1992 and now has a legitimate democratically elected civilian government. Thailand's future looks bright. Malaysia and Singapore have the oldest democratic institutions in the region. Though the political systems there are dominated by single parties leaving voters with little real choice at elections, they do enjoy a large degree of popularity and

legitimacy with their populations. Even Vietnam has some cause for optimism. The government there has indicated it would like to be integrated into the local community of nations, and probably will be if economic reforms are successful.

That brings us to the negatives. The Cambodian problem illuminates ASEAN's chief weakness - its lack of military strength exemplified by their inability to stop Vietnam's invasion of its neighbor. Despite its withdrawal from Cambodia and recent friendly overtures, Vietnam is still suspected by some of its neighbors of harboring long-term ambitions of regional hegemony. Despite their ASEAN membership, Indonesia, Singapore, Malaysia, and Thailand are economic and potential military rivals.⁴ Thailand felt so threatened by Vietnam that it was willing to turn to China to ensure its own security if ASEAN or the U.S. could not provide it.⁵ The governments of Burma, Vietnam, and Laos prove that authoritarianism is not dead in the region yet. Finally, the ongoing dispute over the Spratly Islands threatens to flare into a major conflict possibly involving the Chinese.

What do the nations of Southeast Asia themselves want for their future? The primary goals of ASEAN for the 90's include the resolution of local conflicts and the extrication of

⁴ Crowe and Romberg, p.124

⁵ Sheldon W. Simon, "ASEAN Security in the 1990's", Asian Survey, Vol. 29, no.6 (June 1989) 592

outside actors.⁶ A Zone of Peace, Freedom, and Neutrality (ZOPFAN) is envisioned if outside forces (mostly American) can be removed without creating a vacuum. Malaysia and Indonesia are the primary proponents of a Nuclear Free Weapons Zone (NFWZ) and elimination of all foreign bases in the area.⁷ However ASEAN's chief concern is the creation of a power vacuum caused by an abrupt American withdrawal from the area that might be filled by an ambitious China, Japan or India. Until ASEAN can provide for their own military security they still favor a U.S. presence in the area. The problem is no one wants to play host. U.S. bases in the Philippines were viewed as a breach of sovereignty, a continuation of colonialism, and an embarrassment.⁸ With the closing of the bases in the Philippines reality has overcome vanity and Thailand, Singapore, and Malaysia have all offered U.S. limited basing facilities, but nowhere near the scale of Subic and Clark.

⁶ Simon, p.581

⁷ Simon, p.598

⁸ Simon, p.596

II. U.S. STRATEGIC DOCTRINE IN THE POST COLD-WAR ERA

On August 2, 1990 President Bush gave a speech in Aspen, Colorado articulating a new national security strategy for the United States in the post-Cold War era. It was later codified in the National Security Strategy of the United States. Gen. Colin Powell in January 1992 issued his vision for the military's role in this new strategy in National Military Strategy of the United States.

A. THE NEW NATIONAL MILITARY STRATEGY AND THE NAVY

The new strategy is based on four pillars; Strategic deterrence and defense, forward presence, crisis response, and reconstitution.⁹ The new strategy recognizes the decline of the global communist threat and shifts the focus to regional threats. It also recognizes the United States' unique position as a trusted world leader that seeks neither territory, hegemony, or empire. The document also specifically articulates the US's national interests, in order of importance, as: 1)the survival of the US as a free and independent nation, 2)a healthy and growing US economy, 3)maintenance of healthy and cooperative relations with friends and allies, and 4)a stable and secure world, where

⁹ National Military Strategy of the United States, 1992, US Government Printing Office, Washington DC, pp. 6-7

freedom, human rights, and democracy can flourish.¹⁰ Although it would be a stretch to envision Southeast Asia ever becoming a threat to the survival of the US, it is not difficult to see the importance of the region in regards to a healthy and growing US economy. As economic interests are secondary only to the survival of the nation, Southeast Asia can indeed be considered very important to the national interest. Regarding the other interests on the list, the US is on friendly terms with most Southeast Asian nations (except Vietnam and Burma), and has formal alliances with two (Thailand and the Philippines). Democratic institutions are accepted as ideals throughout most of the region, and though there are human rights concerns in some areas, there have been improvements as economies flourish.

In switching from a global to a regional focus the new strategy emphasizes the new threat as the unknown and the uncertain. Regional instability must be prevented but it is difficult to predict where or in what form instability will arise. Southeast Asia, except for Cambodia, is a relatively peaceful region. It is difficult to predict with any degree of certainty when and where instability will arise, but a strong US presence there can do much to maintain stability. In the absence of a strong and trusted outside presence, it is probable a destabilizing arms race would ensue. This coupled

¹⁰ ibid, p. 5

with some of the age-old antagonisms in the region could easily lead to conflict.¹¹

Regarding the Western Pacific specifically, the region is referred to as an economic miracle and America's principle overseas trading area. Due to the maritime character of the area, US forces there should be primarily maritime.¹²

The Navy will play a key role in carrying out much of this new strategy, particularly in a maritime region such as Southeast Asia. The question is does Southeast Asia contain vital national interests to the US that merit a strong naval presence? If the answer is yes, as is here hypothesized, then it is important to understand how the Navy can be used to carry out the new strategy.

Two of the four pillars, Forward Presence and Crisis Response, are tailor made for the Navy in Southeast Asia. In the past, forward presence of US forces has served to avert crises and prevent war, show commitment and lend credibility to our alliances, enhance regional stability, provide crisis response capability, and promote US influence and access. These are all traditional roles of the Navy and will continue to be under the new strategy. Crisis response entails the ability to respond rapidly to an unforeseen crisis in order to deter a threat and, if necessary, to fight unilaterally or in

¹¹ possibilities include China and Vietnam over the Spratlys, and Malaysia and the Philippines over Sabah

¹² ibid, p. 22

a combined effort. In Southeast Asia this could range anywhere from protecting American nationals caught in a local crisis to using overwhelming force to defeat a regional aggressor. The lack of permanent US ground forces or air bases in the region leaves the Navy as the only force available to carry out the crisis response element of the strategy.

B. "FROM THE SEA...": THE NAVY'S ROLE IN THE NEW STRATEGY

"From the Sea..." is a Navy and Marine Corps White Paper that defines a combined vision for the Navy and Marine Corps under the new national military strategy. It attempts to define the Navy's role under the new strategy. Its main tenet is to redefine the Navy's role away from open-ocean warfighting on the sea toward joint operations conducted from the sea. Recognizing the demise of the Soviet threat and the shift to a regional focus, the White Paper redefines the Navy in its traditional, pre-Cold War roles. Statements directly from the document include:

Our forces can help to shape the future in ways favorable to our interests by underpinning our alliances, precluding threats, and helping to preserve the strategic position we won with the end of the Cold War.

American Naval Forces provide powerful yet unobtrusive presence; strategic deterrence; control of the seas; extended and continuous on-scene crisis response; project precise power from the sea; and provide sealift if larger scale warfighting scenarios emerge.

The Navy...projects a positive American image, builds foundations for viable coalitions, enhances diplomatic contacts, reassures friends, and demonstrates U.S. power and resolve.

Operating forward, Naval Forces demonstrate United States commitment overseas and promote American interests.

Naval Forces can help provide the Nation's leaders with a full range of options to preserve regional balances, lay the foundations for coalition operations, provide assistance to Americans in danger, respond to crises of every type, and project decisive power ashore in conflict.

Statements such as these could have been lifted directly from the American naval strategy of the late nineteenth century. Today, they are very applicable to U.S. interests in Southeast Asia. In this dynamic and prosperous region of the globe the U.S faces much uncertainty. The economic potential of the region is huge with a potential market greater than that of Europe, yet there is no organized security structure such as NATO in Southeast Asia. The U.S. 7th Fleet is the most formidable power in the region and can do much to maintain stability and further American interests. Forward presence, threat deterrence, reassuring allies, coalition building, and protecting American citizens abroad, the classic naval missions described in "From the Sea...", are all directly applicable to the current situation and our interests in Southeast Asia.

III. REASSESSMENT OF AMERICAN INTERESTS IN SOUTHEAST ASIA

Now that the danger of a global holocaust inherent in the Cold War is over, U.S. national interests can be focused on economic prosperity. Two assumptions must be made here; First, the ultimate goal for the United States is to maximize the long-run welfare of its people as measured by an ever-increasing standard of living. Second, a liberal international economic system, i.e. "free trade" is economically beneficial to all who participate. If the two assumptions are not accepted, than there is no need for a military presence anywhere except on our own national borders.

Secondary interests might include spreading democracy, human rights issues, and preserving the environment. But these are ultimately linked to the primary interest of an increasing standard of living. Only when people's basic needs are met and they begin to enjoy some prosperity will their attention focus on political liberalization, environmental issues, etc.... The entire Cold War was fought on the premise that democratic, peaceful, market oriented systems simply work better than the totalitarian, Marxist system. After seventy years this premise has been proven sufficiently for all to see. East Asia has provided the best example, for when Asian per capita incomes passed Russian incomes, after starting from a point far behind Russia, the lesson of which system is better became clear.

If it is agreed that the primary focus of the U.S. national interest is focused on economics than our foreign policy should concentrate on protecting our economic interests. No longer will America be forced to weigh ideological interests versus economic interests when choosing which governments to support, which dictators to prop up, or which wars to fight. Now the equation is simple. If the U.S. has an economic interest in a region or a particular nation, than policy should be made to protect that interest. No longer will the U.S. have to support a renegade dictator or illegitimate government solely because it represents a stand against communism. If U.S. interests are primarily economic than it follows that peace in any particular area is in the U.S.'s best interest since there cannot be general prosperity without it.

The end of the Cold War also necessitates a redefinition of strategic interests. Strategic interests no longer are based on containing politically or defeating militarily a hostile superpower. They too are now linked to economics. Maintaining freedom of the seas in crucial trade areas, keeping trade routes open, and maintaining military presence, basing facilities, and staging areas in or near regions that are economically important to the U.S. now fall into the realm of strategic interests. A strong presence in an economically important area is a traditional role for the Navy and should become its primary role in the post-Cold War era.

A. STRATEGIC INTERESTS: SEA LINES OF COMMUNICATION

Maintaining open sea lines of communication to parts of the world vital to the U.S. has long been an important role for the Navy. Trade routes with our trading partners in both Europe and Asia are vital to the U.S.. The ocean routes to the Persian Gulf are vital to the entire industrialized world. Japan, our largest overseas trading partner, is heavily dependent on the oil from the Persian Gulf that passes through the Strait of Malacca.

1. Oil and the Strait of Malacca

In the case of Southeast Asia regional peace and prosperity are in the best interest of the U.S. not only because of economic interests intrinsic to the area, but because of the sea lanes to the Middle East. In this regard U.S. interests are just as vital as before The end of the Cold War. Japan and South Korea are still heavily dependent on Persian Gulf Oil and U.S. economic interdependence with these two nations has increased. A portion of U.S. oil also passes through the Strait of Malacca and the South China Sea (astride the Spratly and Paracel Islands). It is vital to U.S. national interests to keep these sea lanes open. The Navy is ideally suited to, and is indeed the only force capable of, such a mission.

2. Projecting Power in the Middle East

The U.S. still would find military installations in the region very useful in the event of another conflict in the Persian Gulf. Stretching supply lines all the way to Pearl Harbor would

lengthen reaction time to a Middle East crisis and make sustaining any action there that much more difficult. Any ships deployed in Southeast Asian waters could respond to a crisis in the Gulf twice as fast as ships that would have to come all the way from the U.S. west coast.

Related to our interests in the Middle East, Southeast Asia can, and has been, used as a staging area for direct military operations in the Middle East. More specifically, U.S. bases in the Philippines were used to resupply U.N. forces during the Gulf war. The Philippine bases have been essential to carrying out all of our policies in Southeast Asia, from waging the Vietnam War, to maintaining the naval strength to make the Lehman Doctrine plausible, to providing a deterrent to any instability in the region.

B. ECONOMIC INTERESTS: TRADE, INVESTMENT, AND FREEDOM OF COMMERCE AND COMMUNICATION

Contemporary American trade with Southeast Asia (Table I) is quite sizable, falling somewhere between trade with Korea and trade with Japan. ASEAN as a group is the U.S.'s fifth largest trade partner.¹³

¹³ US Department of State Dispatch, Vol.3, No. 31, August 3, 1992

**TABLE I. U.S. TRADE WITH SOUTHEAST ASIA,
1991 (source: IMF, Direction of Trade
Statistics Yearbook)**

	Exports	Imports
	millions of U.S. dollars	
Brunei	162	29
Burma	24	29
Indonesia	1,892	3,567
Laos	1	2
Malaysia	3,902	6,347
Philippines	2,269	3,708
Singapore	8,808	10,216
Thailand	3,758	6,451
Vietnam	4	...
SE Asia	20,820	30,349
E.C.	103,120	89,432
Japan	48,147	95,010
S. Korea	15,518	17,742

What is more revealing is a comparison of the growth rates of trade between the U.S. and Japan (our largest trading partner excepting Canada) and the U.S. and Southeast Asia. Trade with Southeast Asia is growing more rapidly than trade with Japan (Table II).¹⁴

¹⁴ Direction of Trade Yearbook, International Monetary Fund, 1992

TABLE II. U.S. TRADE GROWTH RATES 1986-1991

	1986	1987	1988	1989	1990	1991	6 year growth
US Exports/SEA	5.9%	16.1	28.2	25.5	18.1	9.7	156%
US Exports/Japan	18.8	5.1	33.2	18.5	8.9	-0.1	113%
US Imports/SEA	-2.8	18.9	21.3	18.7	9.9	6.1	94%
US Imports/Japan	18.1	3.1	5.7	4.3	-4.2	2.1	31%

With a population roughly equal that of western Europe, Southeast Asian trade has the potential to equal that of Europe's in the not too distant future. Our trade with ASEAN already exceeds our trade with Germany, and we export more to Singapore than to Spain or Italy.¹⁵

In addition to direct trade with the region, U.S. business has a large amount of investment in Southeast Asian countries and this also is growing (Table III). Related to this U.S. investment are American nationals currently living in Southeast Asia, and protecting them is a primary responsibility of the U.S.

¹⁵ Robert B. Zoellick, Under Secretary for Economic and Agricultural Affairs, in an address before the ASEAN post-ministerial conference, Manila, July 1992

TABLE III. U.S. DIRECT INVESTMENT IN SOUTHEAST ASIA

	1990	1991	% change
Indonesia	3,226	3,458	+7.2
Malaysia	1,384	1,440	+4.0
Philippines	1,629	1,672	+2.6
Singapore	3,385	4,313	+27.1
Thailand	1,585	1,787	+12.7
Total	11,209	12,670	+13
Japan	20,997	22,918	+9.1

government. Again, this is a traditional role for the Navy and it is ideally suited for such a mission.

C. POLITICAL INTERESTS

The dominant political interest of the U.S. in Southeast Asia during the Cold War was the prevention of the rise to power of communist regimes. We often protected or promoted corrupt, authoritarian regimes that only maintained the thinnest veneer of democracy, usually only to placate American critics, as long as they represented a stand against communism. As the ideological threat from the Soviet Union, the PRC, and Vietnam has subsided the U.S. can now take a new look at promoting true democracy and protecting human rights throughout the region.

As stated by President Bush in his Aspen speech, "a stable and secure world, where freedom, human rights, and democracy can flourish", is in the national interest. Note that he did not say

freedom, democracy, and human rights are necessary for a stable and secure world. The statement implies that stability and security are necessary prerequisites to democracy and human rights. It may even suggest that democracy and respect for human rights will follow naturally. This however cannot be assumed as automatic. Therefore, U.S. policy should be first to pursue stability and security, and only then can democratic ideals be emphasized. In such a world it is easy to see how the U.S. (as well as the rest of the world) would benefit. Historically, it seems that democracies embrace free-market capitalist economics, do not attack their neighbors, and generally respect basic human rights. Military spending could be greatly reduced, and general peace and prosperity would ensue. The question is how do we reach such a utopia?

If such a world is ever to be realized, the democratic foundations must come from within states. It cannot, and should not be imposed from the outside. The key, as President Bush implied, is stability. Political development is assisted by stability because it allows regimes to institute political reforms without the fear of external threats. Instability caused by external threats often leads to the repression of reforms and makes it all too easy to declare a "state of emergency", martial law, or direct military rule. Violations of human rights are common under such conditions.

In Southeast Asia a strong U.S. military presence contributes to regional stability. The presence of the U.S. Navy discourages a spiraling naval arms race that would probably follow a U.S.

withdrawal. Such an arms race would necessarily stunt economic development thus harming American economic interests, not to mention the damage to economic assets that would result from a military conflict. The United States in its past has never shown any inclination to use its military as and excuse for a pax Americana in Southeast Asia. On the other hand U.S. presence deters the rise of any other regional hegemon, such as China or Japan, that may be perceived as a threat by the U.S. or Southeast Asia. If Southeast Asian nations felt militarily vulnerable, as a result of an abrupt U.S. withdrawal, their governments could easily justify harsh measures at home as necessary to fend off external threats. Political liberalization is much more difficult in an unstable environment. Promotion of democracy, freedom, and human rights are not a means to an end. Rather they are the byproduct of stability. A strong U.S. naval presence in Southeast Asia can provide the stability necessary for democratic ideals to flourish. If the Thai military could have pointed to a legitimate external threat as justification maintaining power after their most recent coup, they may still be in power today. They could make no such pretense and today Thailand is under civilian democratic rule. The harsh military government in Burma, with no legitimate external threats to point to, cannot justify themselves to their own people. Without such a unifying factor SLORC (the ruling group of military men in Burma) may eventually be forced to give way to the legitimately elected government of Aung San Suu Kyi.

These are but two examples. It cannot be known what the state of democracy would be in Southeast Asia if not for the stabilizing presence of the U.S. military, but it would certainly not be as advanced as it is today. What is known is that stability has allowed the region to achieve phenomenal economic success and with it substantial political development.

The political and economic development of Southeast Asia does directly serve U.S. national interests because the more advanced countries are likely to be more cooperative politically and useful economically through reciprocal trade and investment. The presence of the U.S. Navy as a stabilizing force will enhance the further political development of the region.

IV. THREATS TO AMERICAN INTERESTS

It is clear that the United States has important interests in Southeast Asia and those interests must be protected. Before determining the best way to protect those interests it is important to recognize and understand what are the possible threats to those interests.

Relative to other regions of the world Southeast Asia is a peaceful and prosperous area. However there are several potential threats to today's stability. Among these are territorial disputes between countries in the region, the Spratly Islands being the most visible and potentially dangerous. The factional conflict in Cambodia is threatening to flare up again. The very prosperity that makes Southeast Asia the economic success story that it is could lead to military rivalry both within the region and also among larger powers desiring to have more influence in the region. Both China and India are undergoing a large naval expansion and modernization programs.

One look at a map makes obvious the significance of these developments to Southeast Asia. Certainly the rise of a regional hegemon potentially unfriendly to the United States would be a very serious threat to our national interests in Southeast Asia. China and India are the two leading candidates for this role and a U.S. military withdrawal would only encourage them. A military buildup

by the other regional power, Japan, would also lead to instability though Japan is less likely to be hostile to the United States.

A. TRADITIONAL RIVALRIES AND ANIMOSITIES

1. Colonial Era: Artificial Borders and the Rise of Nationalism

Southeast Asia's location midway between India and China led directly to the colonial powers heavy influence in the region. This colonial influence was the catalyst for the numerous and complex ethnic and racial rivalries in Southeast Asia today. The artificial borders established by the European colonial powers of the 1800's (Britain, France, Portugal, the Netherlands, and Spain) often disregarded coherent ethnic groupings. Laos is a prime example: the French fused together a conglomeration of diverse "states" in order to form a buffer between their rich colonies among the Vietnamese to the east, and the expansionist Siamese and British in Burma to the West. Today, more ethnic Laotians can be found in what is now Thailand than in Laos itself.¹⁶ The populations of most of the Southeast Asian nations are extremely diverse as opposed to a homogenous population such as Japan's.

The melding of these diverse populations into distinct states by the colonial powers gave rise to the nationalism that flared after WWII. The war showed for the first time to Southeast Asians

¹⁶ Kenneth J. Conboy, "Conflict Potential in Southeast Asia and the South China Sea", The Heritage Lectures, The Heritage Foundation, Washington D.C., 1992, p. 1

an Asian power militarily defeating the strongest of the West, instantly shattering the myth of Western invincibility. The boost this event gave to fledgling nationalist movements helped them to resist the re-colonization of the region after the war. Also as a result of the war several borders were moved that still are the cause of conflict today. For example the French shifted the border between Cambodia and Vietnam along the Mekong Delta, putting a large number of ethnic Cambodians under the control of Vietnamese-dominated Cochin China. This border dispute is still problematic.

2. Cold War Era: Conflicts of Ideology

By the middle of the 1950's the anti-colonial struggle gave way to ideological and power struggles that characterized the Cold War. Many of the traditional animosities in Southeast Asia were relaxed in favor of cooperation between politically like-minded groups. The Cambodian Khmer Rouge and the Laotian Pathet Lao put aside their traditional hatred for the Vietnamese to cooperate with Hanoi against the Americans and their allies.

While ideology was for the first time the primary cause of conflict in Southeast Asia, traditional territorial disputes and ethnic tensions had by no means disappeared. Some examples include:

- The Konfrontasi between Malaysia and Indonesia caused by Indonesian claims of sovereignty over portions of Malaysia and Singapore.
- Manila, claiming control over the Malaysian state of Sabah, supports a guerrilla movement in Malaysia.

- Border clashes between Cambodia and Thailand in the early 1960s over a border temple at Preah Vihear.
- Armed conflict between China and South Vietnam in January 1974 over the Paracel IslandsCambodian nationalist extremists massacre Vietnamese civilians in Phnom Penh in 1970 in the wake of a military coup.
- Anti-Vietnamese insurgency by hill tribe minorities within Vietnam claiming ethnic discrimination by lowland Vietnamese.¹⁷

The end of the Vietnam war marked the return of the traditional sources of conflict to primacy. The bloody conflict between the Vietnamese and the Khmer Rouge was seated in the deep ethnic animosity that predates the arrival of the Europeans. The resulting decade long Vietnamese occupation of Cambodia is a primary cause of Cambodia's troubles today.

3. Vietnam Watershed: Return of Traditional Rivalries

Today there are two forms of conflict that exist in Southeast Asia. First, there are numerous small insurgencies throughout the region, some of which are no longer grounded in the Communism of the Cold War. Economic growth resulting in relatively content populations, and without their superpower patrons, the remaining communist insurgents in the region are not much of a threat. Communist and other internal insurgencies have little chance of expanding across borders and will have little effect on regional stability.

Cambodia has the most explosive internal problems although the withdrawal of Vietnamese troops in 1989 has greatly reduced the

¹⁷ Conboy, p. 2

chances for this situation to spill over into a wider conflict. While peace in Cambodia remains elusive it is now a problem for Cambodians and the UN to solve.

Other insurgencies in Southeast Asia include:¹⁸

- Burma: Burma's ethnically one-dimensional illegitimate government has resulted in this highly fragmented ethnic nation dissolving into numerous guerrilla forces. None of them have much chance of gaining widespread support and yet the government has little chance of suppressing them.
- The Philippines: The Philippines still has significantly large economically based insurgencies. However it is split into different factions with little hope of ousting the government. If economic reforms take hold the Communist's chances will be further diminished.
- Laos: Laos, one of two remaining communist states in Southeast Asia, has several anti-communist insurgencies underway. Lacking foreign support they have little chance of succeeding.
- Indonesia: Indonesia faces ongoing insurgencies in Aceh, East Timor, and Irian Jaya. These are ethnically based and so far the Indonesian military has been able to control them easily.

The second, and more serious, prospect for instability in Southeast Asia involves territorial disputes. The dispute over the Spratly Islands in the South China Sea is the most serious and will be discussed in the section on China. Other territorial disputes include:

Vietnam and Cambodia: Agreements signed between Hanoi and the Vietnamese-installed Cambodian government in 1985 ceded parts of Cambodian territory to Vietnam. Several islands and a large piece

¹⁸ Conboy, p. 4

of traditionally Cambodian territory near the city of Svay Rieng remain in Vietnamese hands. Three of the four factions, including the Khmer Rouge, vying for power in Cambodia today have called for the cancellation of the agreements.¹⁹ As long as Vietnam continues to claim this territory, border conflict with Cambodia will continue.

Indonesia and Malaysia: The Konfrontasi of the early 1960's was the start of a border dispute between these two countries that is dormant today but has potential for future conflict. Two islands located east of Borneo are claimed by both countries. Both sides agreed in 1988 to maintain the status quo on the islands until a peaceful agreement can be reached. In the summer of 1991, however, Malaysia began to develop one of the islands apparently in violation of the agreement. Jakarta has protested but maintains the dispute will not jeopardise friendly relations with Malaysia.

Malaysia and the Philippines: Both nations claim ownership of parts of the Malaysian state of Sabah in eastern Borneo. In 1968 Philippine President Marcos authorized a secret guerilla war against the Malaysian government in Sabah. Before the plot could be launched it was uncovered much to the embarrassment of Manila. Since then both sides have remained steadfast in their claim to the territory. Since Sabah is firmly under Malaysian control and the

¹⁹ Conboy, p. 5

Philippines lack the means and probably the will to do anything about it, this dispute will probably remain a war of words.

Gulf of Thailand: Four countries claim Exclusive Economic Zones (EEZs) extending 200 nautical miles that overlap each other. If Malaysia, Thailand, Vietnam, or Cambodia ever attempt to enforce these EEZs with naval patrols tensions in the Gulf could rise considerably.

B. RISE OF A REGIONAL HEGEMON

Amidst the transformation taking place in international relations, it is useful to bear in mind that US interests in Asia have been remarkably consistent over the past two centuries: commercial access to the region; freedom of navigation; and the prevention of the rise of any hegemonic power or coalition.²⁰

1. Japan

Since Japan's defeat in WWII the United States has been a major keeper of peace in Southeast Asia. Meanwhile both Japan and the U.S. have built up considerable economic interests in the region as the individual nations have grown and modernized. The Navy and the Air Force have already withdrawn from the Philippines and the possibility of further military reductions in the western Pacific is being debated. There is much talk of a "power vacuum" being created if the U.S. withdraws completely and there is a fear that Japan will remilitarize to fill that vacuum. Images of the

²⁰ "A strategic Framework for the Asian Pacific Rim", Report to Congress 1992, Office of the Assistant Secretary of Defense for International Security Affairs

Imperial Japanese Army swarming through the jungles of Southeast Asia are still imprinted on many people's memories. Even if Japan does not remilitarize they are accused by many of seeking to dominate Southeast Asia economically at everyone else's, including Southeast Asia's, expense.

Determining precisely what Japan is trying to achieve in its relations with the ASEAN nations is important if the U.S. is to formulate an intelligent policy of its own in the area. However Japan's intentions are not entirely clear. Is Japan seeking to pursue mercantilist policies in Southeast Asian markets by running large trade surpluses similar to their surplus with the U.S.? Do they hope to form a regional trading bloc to compete with and eventually dominate NAFTA and the EC? Or worst of all is Japan trying to thoroughly dominate S.E. Asia by recreating the "Greater East Asian Co-Prosperity Sphere" that eventually led to Pearl Harbor and the Pacific War?

The fact that Japan runs an enormous trade surplus with the U.S., and making their home market difficult for foreigners to enter, has often led to the charge that Japan pursues a basically mercantilist trade policy in the same vein as that of the eighteenth century western trading nations. There are two compelling reasons to believe this is not the case. First, the Japanese are not stupid. If anything the Japanese are superb students of history. They have built their nation into the power it is by emulating that which works in the west and avoiding that which does not. Why would they pursue a policy that was an abject

historical failure? Second, the evidence does not bear it out. True, Japan runs a large trade surplus with the U.S., and their overall trade balance also shows a surplus. But, prior to the current economic recession in Japan,²¹ they did show a trade deficit with many nations. Among Southeast Asian nations Japan had a trade deficit with Thailand and Indonesia, and virtually balanced trade with Malaysia and the Philippines.²² Furthermore, exports from Southeast Asia to Japan do not consist entirely of raw materials to be converted into manufactured goods and re-imported, in the true mercantilist tradition. In the 50's and 60's primary commodities were their primary export but today more and more Southeast Asian exports consist of labor and capital intensive heavy industrial production.²³

With the European Community moving toward inward economic union and outward protectionism, and the U.S. attempting to form NAFTA with Canada and Mexico, Japan may be seeking to form a similar bloc in S.E. Asia to protect themselves from possible economic isolation. This is an extremely unlikely scenario for one major reason; Japan needs the American market for its products and will do whatever is necessary to ensure that market remains open. The Japanese and American economies are so intertwined that to

²¹ The recession in Japan has weakened demand for imports temporarily turning previous trade deficits into surpluses

²² Chung-in Moon, "Managing Regional Challenges: Japan, the East Asian NICs and New Patterns of Economic Rivalry", Pacific Focus, Fall 1991, 27

²³ Moon, p. 33

disrupt economic relations with a spasm of protectionism would be devastating to both countries (admittedly more so for Japan since the U.S. accounts for 46.4% of Japan's foreign investment)²⁴. When Malaysian Prime Minister Mahathir bin Mohammed proposed the EAEC excluding the U.S., Japan sided with Washington's objections and agreed to encourage the Asia-Pacific Economic Cooperation (APEC) which includes the U.S.²⁵ Without Japan or the U.S. there will be no Asian-Pacific economic bloc of any significance. In addition Japan has no reason to feel threatened by NAFTA since it does not erect any new barriers to them, but simply lowers them among its signees. Japan will be free to try to maintain their share of the American market by competing with NAFTA signees. Forming their own regional trading bloc in Asia would do nothing to help maintain their American markets. If the Japanese lose an intolerable amount of the U.S. market due to NAFTA they will have to make some choices. They might attempt to set up something along the lines of an EAEC and hope it can replace the lost American markets. If they can persuade South Korea, Taiwan, and China to join, which would be highly unlikely, they may have a chance. Another option will be to join NAFTA (which any nation will be free to do by agreeing to its provisions) and compete on a level playing field, which they would

²⁴ Moon, p. 30. Also, Japan funds a large portion of the U.S. national debt. A trade war would certainly result in Japan ceasing to buy U.S. bonds, which would have a severe impact on U.S. interest rates and, hence, the U.S. economy.

²⁵ Yoichi Funabashi, "Japan and America: Global Partners", Foreign Policy, Spring 1992, p. 33

probably be very successful at. They will have to open their cherished home market to North American imports and this would be a bitter pill to swallow. International trade is a very complex subject, but if anyone has mastered its nuances, Japan has. They understand their past success and future prosperity is dependent on their trade relationships, and their relationship with the U.S. is by far the most important. The Japanese will go to great lengths to avoid anything that might upset this relationship. The U.S. economy would be hurt by a disruption in trade with Japan, but the bottom line is Japan's economy would be devastated if not destroyed. Japan will not attempt to shut the U.S. out of Southeast Asia.

Those that believe Japan is trying to recreate the Greater East Asian Co-prosperity Sphere would have us believe that not only does Japan wish to pursue mercantilist trade policies but would be willing to use military coercion to enforce their policy. This of course would be intolerable to the U.S., China, both Koreas, and Taiwan, not to mention ASEAN. Even the hint of increased Japanese militarism draws strong reaction in S.E. Asia.²⁶ This puts Japan in the middle of a very complex problem. They have legitimate security interests in Southeast Asia and have a right to protect

²⁶ The decision to send Japanese peace keepers into Cambodia as part of the UN effort has caused some concern both in Japan and in Southeast Asia. The forces they've sent have not been cooperative with the UN and their performance has been less than stellar. A single casualty caused a large uproar back in Japan. If this relatively benign Japanese military presence has caused so much concern imagine what a larger armed presence would cause.

them with sufficient military forces if necessary. However, due to lingering memories of WWII, other nations in the region are naturally apprehensive about a militarily resurgent Japan. Currently American military presence guarantees the security of Japanese interests in the region so the dilemma can be avoided for now. But if for any reason the U.S. guarantee was reduced or removed a way will have to be found to allow Japan to provide for her own security.

If Japan's economic ambitions in Southeast Asia are not mercantilist or protectionist, what are their economic goals in the region and how are they going about achieving them? Japan is pursuing a policy of mutual benefit between ASEAN and themselves and is doing it in a way that the U.S. should applaud, and perhaps emulate. Japan and ASEAN have a number of mutual economic needs that can be satisfied through trade, and given their geographic proximity and cultural similarities it is natural they should be close trading partners. It is no different than the reasons Canada is the largest U.S. trade partner.²⁷ Specifically, Japan has a labor shortage. Due to their rapid modernization and corresponding increase in the standard of living, Japanese are no longer willing to work in low paying, unskilled manufacturing jobs. As a modern

²⁷ This is not to imply that Japan and Southeast Asia have the same type of relationship as the U.S. and Canada. Canada's economy is more advanced than the economies of Southeast Asia resulting in a different kind of trade relationship. The point is the fact that Canada is geographically close and culturally similar to the U.S. merely makes any economic ties they would have had with each other that much stronger.

industrialized nation with few natural resources, Japan also needs to import a large portion of their raw material needs, particularly energy. Because of their reliance on imported raw materials, Japan also has a strategic requirement to protect the vital sea lanes by which these materials are transported. Southeast Asia plays a large role in satisfying Japan's economic needs, and in return Japan provides Southeast Asia with a market for their growing export industries, direct investment to get those industries off the ground, and aid to the lesser developed nations in the region.

Japan's economic policy toward Southeast Asia can be broken down into three major components. These are; trade, investment, and aid. Taken together they have sometimes been called Japan's "comprehensive national security" policy. First proposed by Prime Minister Ohira and formally introduced by Prime Minister Suzuki in 1980, Japan's policy of "comprehensive national security" has been defined to extend beyond traditional military defense and alliance structures to include reliable and affordable supplies of raw materials and foodstuffs, unimpeded access to foreign markets for Japanese merchandise and investment, and friendly stable governments near Japan and astride crucial sea lanes connecting it with its trade partners.²⁸

Japan's trade policy has been stereotyped as a one way street. The Japanese work furiously, producing products in their

²⁸ Steve Chan, "Humanitarianism, Mercantilism, or Comprehensive National Security? Disbursement Patterns of Japanese Foreign Aid", *Asian Affairs: an American Review*, Spring 1992, p. 6

home factories to export to the rest of the world, ruthlessly expanding market share, even by foregoing profits (dumping). At the same time stiff protectionist barriers are raised at home to prevent foreign competitors from selling many of their products in Japan. Once Japan has destroyed all competition and is the sole economic superpower, we will be at their mercy. In Southeast Asia at least, the facts do not support this theory. As pointed out earlier Japan runs a trade deficit with several ASEAN nations. ASEAN as a group is heavily dependent on Japan for its exports. In 1991 36.9% of Indonesia's exports went to Japan. In Thailand the figure was 17.7%, The Philippines 20.0%, Malaysia 16.0%, and Singapore 8.5%.²⁹ While ASEAN leaders sometimes complain about Japanese protectionism and wish for more open access to Japan's domestic markets they also have many positive things to say about the relationship. Thai officials complain that they cannot produce goods fast enough to export to Japan, and a Malaysian official described his country's trade relationship with Japan as "a system of mutual benefit".³⁰ Also, contrary to stereotypes, ASEAN exports to Japan do not consist primarily of raw materials. True, Indonesian oil does make up a large percentage of that countries exports, but more and more of the regions's exports consist of finished manufactures and capital intensive heavy industrial

²⁹ Direction of Trade Yearbook, 1992, International Monetary Fund

³⁰ Michael Richardson, "Big Economic Role for Japan", Pacific Defense Reporter, July 1989, p. 39

production.³¹ As the individual nations modernize and their workforces become better skilled and educated they are moving toward producing more high-tech products. Today ASEAN is where the East Asian NIC's (S. Korea, Taiwan, and Hong Kong) were twenty years ago. Today the NIC's are considered serious threats by Japan in the high-tech arena.³² Ironically Japan is helping Southeast Asia in its modernization just as they helped the NICs (through patent rights, licenses, joint ventures, etc...). This is hardly a picture of Japan as the economic predator often portrayed in the United States. If the U.S. has cause for concern it is because we are losing ground to the Japanese in S.E. Asian trade. In 1989 Japan overtook the U.S. as the leading export market for ASEAN.³³

The reason Japan has surpassed the U.S. in trade with ASEAN is because of their investment strategy in the region. Since 1985 Japanese investment in Southeast Asia has outpaced the U.S. except in the Philippines and Singapore.³⁴ After the U.S. withdrawal from the Philippines Japan will probably pass the U.S. economically there also. In order to solve the labor shortage problem in their home islands, Japan has moved much of the low-wage low-skill manufacturing jobs offshore to Southeast Asia. Southeast Asian nations, hungry for foreign investment in their budding industries,

³¹ Moon, p. 41

³² Moon, p. 34

³³ Richardson, p. 39

³⁴ Moon, p. 28

welcome such investment. Sectorally Japanese investment is divided between manufacturing (\$12.27 billion, in 1989), and commerce and services (\$11.90 billion) with resource development third (\$7.3 billion).³⁵ If Japan were seeking merely to exploit S.E. Asia for its natural resources one would expect the resource development figure to be much higher. MITI's claim, which looks highly plausible when the record is examined, is that Japan's pattern of investment is designed to improve the host countries' structural trade deficits through export promotion, expand employment creation in the host nations, enhance onsite supply of parts and components, and improve competitive conditions of host countries through transfer of technology and know-how.³⁶ Through direct investment Japan has undoubtedly become more influential in the economic affairs of the region. As Southeast Asia becomes more reliant on Japan for market outlets, capital, parts and components, and technology they will be drawn more tightly into Japan's sphere of economic influence.

Japanese foreign aid to Southeast Asia also demonstrates their level of commitment to the region. What are Japan's motives for giving aid? Does Japan give aid for purely humanitarian reasons or is it given with strings attached as another way of securing market dominance? In 1988 Japan passed the U.S. for the first time as the world leader in developmental assistance to other

³⁵ Far Eastern Economic Review, May 3, 1990, p. 48

³⁶ Moon, p. 30

nations (\$10 billion vs. the U.S. \$8.6 billion).³⁷ Most of that assistance has been allocated to Asia of which ASEAN has been the largest recipient. Some analysts characterize Japan's aid program as simply another weapon in its mercantilist arsenal aimed at foreign economic penetration in terms of both merchandise exports and direct overseas investment. Naturally the Japanese themselves do not admit to this. The official rationale for their aid program was stated by Prime Minister Fukuda in 1978:

Instead of becoming a military power, we wish to contribute our reserve power (resulting from moderate defense spending) to the peace and prosperity of Asia and the world....What I wish to emphasize is that such a role of our country is possible only with the existence of U.S.-Japanese cooperation based on the U.S.-Japan security system. What Asian nations expect from Japan is a contribution to peace as a non-military power neighbor. I strongly hope that the American people will understand this point correctly.³⁸

Steve Chan's article published in the Spring 1992 issue of Asian Affairs: an American Review points out that four of the top seven nations receiving Japanese aid are ASEAN nations (the other three being China, Mexico, and India) and in his conclusion he writes:

Neither the promotion of Japanese exports nor the search for foreign resources shows a statistically significant impact on the distribution pattern of Japan's official fund flows. In contrast economic need...turns out to be the major determinant of this distribution pattern. It appears that humanitarianism

³⁷ Moon, p. 31. This number fluctuates annually with Japan and the U.S. routinely switching back and forth as the world leader. Before 1988 the U.S. was the undisputed leader in this statistic.

³⁸ Chan, p. 6

has played a much more important role than has mercantilism in this particular aspect of a prototypical "trading state".³⁹

To state that Japan's aid program is based solely on a humanitarian basis is a bit simplistic. Otherwise African nations or India for example would receive more Japanese aid than they do. So while humanitarianism plays a significant role, the Japanese also take into account the potential return in their aid "investment". Japan's economic policy toward Southeast Asia clearly is designed to accommodate her legitimate national interests. Japan takes advantage of the low cost labor supply to help deal with a domestic labor shortage. Southeast Asia benefits through the jobs provided. Japan is heavily dependent on imported energy supplies. Most of their energy requirements either come directly from Southeast Asia or pass through the region from the Persian Gulf, so naturally Japan has a keen interest in maintaining peace and stability in the area. Lacking the military capability traditionally used for such purposes Japan uses the tools available to her; trade, direct investment, and foreign aid reasoning that prosperous neighbors are peaceful neighbors. As an insurance policy Japan is quite content rely on U.S. military power to maintain peace. Therefore, Japan and ASEAn will be content to allow the role of the U.S. Navy in the region to continue.

However, in the post cold war era the U.S. is showing increasing signs of reverting to a more isolationist foreign

³⁹ Chan, p. 14

policy. Large military cutbacks are already in place and further cuts are almost certain under the new administration. Japan may no longer be able to count on as great a U.S. military insurance policy in Southeast Asia, and some fear the Japanese will find it necessary, if not irresistible, to reassert themselves militarily in the region. Is this a realistic possibility?; no, and for three reasons.

First, the Asian-Pacific region is much different than it was by the end of the 1930's. Then, Japan was by far the dominant power both economically and militarily. China was divided by civil war, Taiwan and Korea were already under Japanese rule, the Soviet Union was preoccupied with Germany, as was Indonesia under Dutch rule, and the two primary maritime colonial powers in Southeast Asia, the British and French, kept the bulk of their maritime power in European waters. The U.S. had a military presence in the Philippines, but the bulk of its Pacific fleet was kept in Hawaii. This U.S. fleet was a superior force to the Japanese Imperial Navy, but in Washington the isolationists had the upper hand and the fleet was kept at Pearl Harbor. Meanwhile the Japanese, in the period between the world wars, had quietly built their Imperial Navy into the dominant force in the region.

Today the circumstances are very different. The Chinese navy, though much of their equipment is obsolete, is numerically strong and is currently undergoing modernization. Even after the collapse of the Soviet Union, the Russian Pacific fleet is still stronger by any measure than the Japanese Maritime Self Defense

Force.⁴⁰ Of course it may be argued that the same thing was said in 1905. Today there is one major difference. The Russians (and the Chinese) have nuclear weapons and the Japanese do not. True, the Japanese currently have the U.S. nuclear umbrella, but it is doubtful that will still be in place in a situation if Japan finds it necessary to pursue an adventuristic military policy. Today the U.S. 7th Fleet is the dominant force, but if it were withdrawn there would still be a solid maritime balance of power that did not exist in the 1930's. This is an argument some might make for withdrawing the 7th Fleet, however, this would leave the U.S. with little influence over events and leave U.S. economic interests in the hands of forces we could not control.

Second, the Japanese simply do not have the power projection capability necessary to dominate Southeast Asia militarily nor could they have any immediate plans to acquire it. Their current force structure is designed to protect trade and patrol sea lanes out to 1000 NM from the home islands. If Japan were to attempt to project power into Southeast Asia they would need the capability to control operations on, under, and over the sea, over 1000 NM from Japan, for a protracted period. They would need the ability to transport a large ground force, undertake an opposed landing, and support those troops for an extended period. Japan currently has no significant amphibious capability, no long range tactical air capability (they are acquiring 10 tankers for air-to-air refueling

⁴⁰ A.W. Grazebrook, "Maritime Potential No Cause for Concern", *Asia-Pacific Defense Reporter*, September 1, 1991, p. 27

but this is not nearly enough to sustain operations in Southeast Asia), and no significant long range airlift capability.⁴¹

Third, the Japanese have expressed no willingness to re-militarize their country. They refused direct military participation in the Gulf War. Their democratic institutions make it highly unlikely the Japanese people will ever allow militarists to again gain control of the country. Prime Minister Kaifu, on a tour of Southeast Asia in 1991, pledged Japan will use its economic strength to play a more active role in Asia but will never again become a military power threatening other countries.⁴² Japan's actions support that statement.

Still there is concern in Southeast Asia about the possibility of a militarily resurgent Japan. Much is made of the fact that Japan spends only one percent of its GNP on defense, but its economy is so large that Japanese military spending ranks third in the world behind only the U.S. and Russia.⁴³ Furthermore there is a push among Japanese defense planners to increase the budget beyond one percent in response to a perceived divergence in security priorities between the U.S. and Japan for the first time

⁴¹ Grazebrook, p. 28

⁴² Michael Richardson, "Japan Pledges Peaceful Cooperation", Asia-Pacific Defence Reporter, July 1991, p. 12. PM Kaifu is not alone. PMs Ozawa and Nakasone have made similar statements. There is a more militaristic right wing in Japanese politics but so far they have had little real influence

⁴³ Michael Richardson, "Superpower detente raises fear of Japan", Pacific Defence Reporter, April 1990, p. 17

since 1945.⁴⁴ Russian intransigence over the Kurile Islands is another factor given as a reason Japan may enhance the capabilities of its defence force. Other developments that may prompt Japan to develop a true power projection capability include a drastic withdrawal of U.S. forces, "unacceptable" trade barriers erected by the U.S. and/or the E.C., or war on the Korean Peninsula.⁴⁵

There is still some degree of mistrust in Southeast Asia of the Japanese left over from their occupation in WWII. Lee Kuan Yew of Singapore describes allowing Japan a military role in peace-keeping activities as like "giving liqueur chocolates to an alcoholic", that the drive to be "number one" in whatever Japan did was part of Japanese culture, "whatever they do, they go to its limits", and "there is an underlying unease" about Japan in Asia.⁴⁶ This mistrust of the Japanese is one reason why ASEAN (as well as China and non-ASEAN Southeast Asian states) still desires a U.S. military presence in the region.

Japan has a vital interest in maintaining peace and security in Southeast Asia. Currently the U.S.-Japan security treaty and the American military presence provides the Japanese with the assurance they need that their interests will be protected. If the Japanese feel they no longer have that assurance it is not

⁴⁴ Gwen Robinson, "Defence Planners Uneasy", *Asia-Pacific Defence Reporter*, August 1991, p. 16. Japanese defense spending may in fact already be above 1% of GNP depending on how the accounting is done.

⁴⁵ Richardson, "Superpower Detente...", p. 18

⁴⁶ Richardson, "Japan Pledges...", pp. 12-13

unreasonable to expect them to move to protect their interests themselves. However it would take time for Japan to acquire the necessary military capabilities and the U.S. would have plenty of time to react. What should the U.S. reaction be if Japan rearms? That would depend on what events precipitated Japan's actions. If there is no fundamental change in the security arrangements in the region, i.e. the U.S. remains engaged and makes no attempts to economically isolate Japan through trade barriers, and Japan begins building a large amphibious capability and long range tactical air capability, then a strong reaction will be required. Given the united opposition in the region to a militarily resurgent Japan, it would not be difficult to bring sufficient pressure to bear on Japan to cease the buildup. This scenario is highly unlikely. If, however, the U.S. completely withdraws from the region, leaving Japan's vital interests unprotected, the U.S. must expect Japan to take steps to protect those interests. Other actors in the region can also be expected to take steps in reaction to this change in the balance of power. The Chinese, the Russians, and the ASEAN nations will probably find it necessary to step up their military spending. The Japanese will probably never be able to achieve the dominant position they had prior to the beginning of WWII⁴⁷ so the result may be a relatively stable new balance of power arrangement

⁴⁷ Some may argue that the U.S. was the dominant force in the Pacific at the time. Had the American fleet at Pearl Harbor been actively engaged in the region by patrolling Southeast Asian waters, instead of staying tied up at the piers in Hawaii, this would have been true. Perhaps Japanese aggressiveness would have been tempered by a stronger U.S. military presence.

in East Asia without the U.S. Some may see this as a desirable outcome since the U.S. will no longer be footing the defense bill for Japan. The result may also be a destabilizing arms race, or an unstable and potentially volatile balance of power similar to Europe before the World Wars, which clearly would not be in the best interest of the U.S. Either way the U.S. would have very little say in the outcome.

It is difficult to find fault with Japan's economic policies in Southeast Asia. An economic giant, they are an island nation with few natural resources heavily dependent on foreign trade. Their vulnerability is further exposed by a lack of strong military capability to protect their interests. Japan's situation could be compared to Great Britain one hundred years ago minus the Royal Navy. In the absence of dominant military power, Japan has found it advisable to construct its economic relationships in such a way as to ensure that its trading partners find it in their own best interest to maintain close and peaceful relations with Japan. This is what has been characterized as "economic imperialism" by Japan's critics, but the nations of Southeast Asia have benefitted from Japan's policies there. Though the relationship isn't completely satisfactory to all the Southeast Asian leaders, and vocal criticism of Japan's relatively closed markets are increasing, in general Southeast Asia approves of Japanese investment and trade in the region. Southeast Asia contains some of the fastest growing states in the world and they have been helped by Japan. Given their geographic proximity and cultural similarities this

relationship is natural. The same situation is present between the U.S. and its neighbors. This is not to say the U.S. should give up on Southeast Asia. American companies have considerable investments in the region and as it modernizes the market for American made goods should also increase. Though the U.S. stake in Southeast Asia may not be as great as Japan's it still is a strong economic interest of the U.S. and should not be abandoned. Peace and stability in the region is clearly in the U.S. national interest and the required naval presence should be maintained.

2. China

China's relations with Southeast Asia are more problematical. Chinese interests in the region can be divided into two parts; economic and strategic. The domestic situation in China is unpredictable and changes at home will affect their foreign policy, but for the near future it is safe to assume China will continue to pursue the same policies of the past few years. China's national interests are no different than those of any other nation attempting to cope and compete in today's post-Cold War international climate. Their first priority must be domestic political stability, i.e. the CCP maintaining power for the preservation of law and order. The Chinese Communist Party still rules and if they are to continue to rule they must keep the population satisfied. To achieve this the CCP must meet the growing economic expectations of the people. Economic growth is

the next priority for China and from this stems the third priority; regional stability.

Southeast Asia's position on China's southern flank makes the region important to their national interest. Stability in, and trade with, Southeast Asia are important components of the Chinese national interest. How the Chinese pursue their interests in Southeast Asia will have a direct affect on U.S. national interests in the region.

The first component of Chinese relations with Southeast Asia is economic. At the top of their interest is the welfare and protection of the overseas Chinese. China has put much emphasis on liberalizing their economy, expanding growth, and integrating itself into the global economy. The success of the Southeast Asian economies is well known. One would think these circumstances would result in exploding trade between the two, but it is not the case. In 1991 Trade between China and ASEAN was only accounted for 4.9% of China's total trade and 2.3% of ASEAN's total trade.⁴⁸ Why is this the case?

The main reason is that the two economies are too similar and do not have many comparative advantages to offer each other. Both are in the relatively early stages of development. Exports for both consist mostly of traditional commodity items and natural resources, and imports are mostly modern capital goods. As with ASEAN, the industrial countries play a major role in Chinese

⁴⁸ Direction of Trade Yearbook, 1992. Data used was the most recent available; from Q4 1991 through Q3 of 1992

foreign trade. Since 1975 the industrial countries provided 61% of imports and took 40% of exports from China. Adding in trade with Hong Kong both numbers increase to 70 percent.⁴⁹ ASEAN's natural resource exports include petroleum, lumber, rubber, palm oil, non-ferrous metals (mostly tin), coffee, and rice. Of these China itself has exported petroleum, palm oil, tin, and rice.⁵⁰ Since the Chinese don't drink much coffee, that leaves lumber and rubber as the only candidates for increased imports from ASEAN. It is possible that China will become an importer of oil from Southeast Asia as their domestic reserves are depleted and domestic demand increases.

China's policies in the Spratly islands may be a sign of their increasing anxiety over petroleum supplies. In short, until both Southeast Asian and Chinese economies become more fully developed the prospect for increased trade between the two is limited. China will not be an economic competitor for the U.S. in Southeast Asia for the foreseeable future but could pose a threat to U.S. strategic interests if they were to be adjudged guilty of aggression in the Spratly Islands.

The Spratly Islands is certainly the most serious potential flashpoint in Southeast Asia. This island chain sits in the middle of the South China Sea stretching from about 600 miles south of

⁴⁹ Fred Herschede, "Trade Between China and ASEAN: the Impact of the Pacific Rim Area", *Pacific Affairs*, Vol. 64, No. 2, Summer 1991, p. 183

⁵⁰ Herschede, p. 185

China's coast nearly to Brunei. Little more than an archipelago of sand bars and reefs it was thought until recently to be of little economic value. The dispute between Vietnam and China over the Spratlys as well as the Paracel Islands to the north goes back nearly a century. After the first oil shock in the early 1970s oil companies began searching for new sources of oil. The Spratly and Paracel Islands suddenly became much more important. South Vietnam signed exploration contracts with U.S. companies and quietly garrisoned some of the Paracels. China boldly reasserted its claim on the islands and sent an eleven ship naval flotilla to the area. After a clash that sank one Vietnamese ship and sent four others limping home China had control of the Paracels and South Vietnam was powerless to stop them. Hanoi quickly sided with their communist allies while both Taiwan and the Philippines announced they were the rightful owners. The U.S. 7th fleet remained neutral.

Vietnam continued to occupy several of the Spratly islands despite Chinese claims that the entire South China Sea was Chinese territory. However there was no further armed conflict until 1988 when another Chinese naval flotilla sank three Vietnamese ships, killed 72 seamen, and took nine prisoners.⁵¹ The result was China seizing six islands from Vietnam. Again the 7th Fleet remained neutral as did the Soviet warships operating from Cam Ranh Bay. Today China, Vietnam, the Philippines, Malaysia, and Taiwan occupy

⁵¹ "Treacherous Shoals", Far Eastern Economic Review, August 13, 1992, p. 15

islands in the Spratly chain. Brunei occupies no islands and only claims territorial waters over part of the area.

Since the first mention of the possibility oil underneath the Spratlys in the early 1970s, it has remained just that - a possibility. To date no oil or natural gas has been found. The only information is based on geological studies that suggest the region has potential. China is the only nation that has demonstrated a willingness to use offensive action to assert its claims. The others are more willing to settle the dispute through negotiation or joint development.

China's motives in the Spratlys are difficult to discern. The prospects for oil are the most common reasons given for China's aggressiveness in asserting its claims. China has been able to satisfy its oil demand with domestic sources but this is rapidly changing. In 1985 Oil accounted for 27% of Chinese exports, but in 1991 only 5%.⁵² As China's economy continues to grow so will their demand for oil. China will soon be an oil importer and may see the potential oil in the South China Sea as a way to prevent or at least postpone their dependence on imported oil.

Other possible motives are less comforting. China may be trying to assert itself as a regional hegemon. A 1992 Rand report on new postures for American forces in Asia states that China will

⁵² ibid, p. 16

continue to be viewed by Southeast Asian states as the primary long term threat to Southeast Asia. Four reasons are given:⁵³

Its geographic proximity and past history of interference in Southeast Asian affairs.

Its past exploitation of the large ethnic Chinese populations in many Southeast Asian states to foment internal unrest.

Continued Chinese dissatisfaction over the territorial status quo.

The resurgence of a hard-line leadership in Beijing after the Tiananmen incident of June 1989.

If the Chinese gain control of the entire Spratly chain they will be able to dominate the entire South China Sea including the sea lanes that carry the oil from the Middle East as well as all the shipping between Southeast Asia and Northeast Asia (Japan and Korea). Today there is no reason to believe China wishes to disrupt these sea lanes, but their gaining the ability to do so should be worrisome to the United States. In defense of China, the same consideration for China's position in Southeast Asia must be given as the United States expects when third powers strike deals with central America. A strong American naval presence in the South China Sea, continually asserting the right to transit through the area freely will send a strong message to the Chinese that the U.S. will not tolerate any restriction of such transit. If there are further clashes amongst the claimants to the Spratlys the U.S. navy will not and should not become involved. The issue of who has

⁵³ "A New Strategy and Fewer Forces: The Pacific Dimension", RAND, Santa Monica, 1992, pp. 66-67

legitimate sovereignty of the islands is complex and should be settled by the parties involved, preferably through negotiation. The U.S. choosing sides will only encourage whichever side we support to take unilateral action and possibly draw the U.S. into a conflict with China. Ownership of the islands is not what is critical to the U.S. It is the right to freely transit the area that is critical and ensuring that right is the proper role for the U.S. Navy.

C. EAEC, AFTA, AND NAFTA: REGIONAL TRADING BLOCS - THREAT OR ASSET?

In recent years there has been much speculation that the world is dividing into trading blocs: the European Community, North America, and East Asia. The ever increasing possibility that the Uruguay round of the GATT (General Agreement on Tariffs and Trade) talks will not be successfully concluded lend credence to this possibility. The EC is already an organized bloc, but the North American and East Asian blocs are not yet certain to form.

NAFTA, the North American Free Trade Agreement, negotiated and signed by former-President Bush, would unite the U.S., Canada, and Mexico into a free trade area. The agreement faces several hurdles before it can take effect. The Clinton administration is insisting on attaching additional agreements on environmental and wage standards. The U.S. Congress may not approve NAFTA with or without the additional agreements. Canada has not been enthusiastic about NAFTA from the start.

The possibility of an East Asian economic bloc is even further on the horizon. Several concepts for organizing East Asia into some form of economic union have been proposed, and some have been tentatively adopted, but none of them can be fully characterized as a trade bloc on the scale of the EC. The East Asian Economic Caucus (EAEC), originally called the East Asian Economic Group, is the most controversial. Proposed by Malaysia's Prime Minister Mahathir, it was to include the ASEAN nations plus China, Hong Kong, Japan, S. Korea, and Taiwan. Pointedly, the United States, Canada, and Australia were excluded. U.S. pressure on Japan to not support the plan forced Mahathir to modify his proposal from a trading bloc to merely a consultative forum.

The Asian Pacific Economic Cooperation (APEC) forum does include the U.S., Canada, and Australia. Additionally Mexico, Chile, Ecuador, and Russia have applied for membership.⁵⁴ Formed in 1989 APEC does not envisage any preferential free-trade arrangement as in NAFTA. The U.S. sees APEC as a key vehicle for sustaining market oriented development, advancing regional and global trade liberalization, and fostering a more prosperous economic future for the entire Asia-Pacific region.⁵⁵ It has been compared to the OECD (Organization for Economic Cooperation and Development), an innocuous caucus of countries exchanging

⁵⁴ Shim Jae Hoon, "Growing up Pains", Far Eastern Economic Review, November 14, 1991, p. 27

⁵⁵ Secretary of State James Baker in a statement at the ASEAN post-ministerial conference, Manila, Philippines, July 26, 1992

statistics and information, or the G-7.⁵⁶ It too is simply a consultative forum.

TABLE IV. POTENTIAL ASIAN TRADE BLOCKS

	ASEAN	EAEC	APEC
Australia			X
Brunei	X	X	X
Canada			X
China		X	X
Hong Kong		X	X
Indonesia	X	X	X
Japan		X	X
S. Korea		X	X
Malaysia	X	X	X
New Zealand			X
Philippines	X	X	X
Singapore	X	X	X
Taiwan		X	X
Thailand	X	X	X
U.S.			X

The Asean Free Trade Area (AFTA) consists only of the ASEAN countries. Possibly the most significant step towards true economic integration since the ASEAN's inception in 1967, AFTA has many limitations. The plan is to be implemented over a fifteen year period, but the agreement is hedged with so many

⁵⁶ ibid, p. 27

qualifications there is serious doubt it will have any real impact. There is a clause that allows any member to opt out of certain parts of the accord if the member felt it would harm its domestic industry. Agricultural and services industries were left out entirely. The AFTA agreement reflects one of ASEAN's biggest failures: the inability to establish meaningful economic cooperation.

If ASEAN or any other combination of East Asian countries were to form a trade bloc it would have an effect on the U.S. economically. Just how much of an effect is debatable. Naturally the most important factors are whether or not the United States is included and to what extent an East Asian bloc would come under the domination of Japan. If a bloc is formed along EAEC lines it could be damaging to U.S. interests. If it is formed along APEC lines it would be beneficial to the United States. Even an EAEC-based bloc would not be particularly damaging if it did not raise protectionist barriers to non-members. If, similar to NAFTA, it only reduced tariffs and other barriers to member nations without actively raising barriers to non-member nations (as the EC does) the effect on the United States would be negligible. In fact it would make it easier for the United States to negotiate a free trade agreement with an EAEC as a whole, rather than trying to negotiate with each nation separately. Due to the importance of the American market to Asian products it is unlikely a protectionist trade bloc will form excluding the United States.

The stalled GATT talks are increasing the possibility of the

world dividing into regional trading blocs, and there is some debate on whether this is a positive development or not. The GATT movement, under the leadership of the United States since the end of WWII, is in large part responsible for the explosion in international trade of the last 45 years. By drastically reducing tariffs and other barriers to trade GATT has been greatly responsible for the rapid economic recovery from WWII and the subsequent rapid increase in the standard of living of participating nations. If the stalled Uruguay Round of the GATT negotiations could be successfully completed further economic gains would be realized. If the negotiations fail, there is a risk of backsliding to the protectionism and trade wars that characterized the depression years of the 1930s.

Some argue that if GATT fails, regional free-trade areas are the next best thing. The next logical step would be to negotiate free-trade pacts between blocs with the end result approaching global free trade. The opposite argument is that blocs would tend to erect protectionist barriers touching off trade wars, thus leading to a slowing of the global economy. Roger Porter, former Assistant to the U.S. President for Economic and Domestic Policy endorses the former argument:

Fears of protectionist regional blocs - a fortress Europe, a Fortress America, and a Fortress Asia - are easy to understand. But they will prove unfounded. ...Past experience demonstrates that regional economic arrangements can complement a strong multilateral trading system and increase global trade flows. Four decades ago, under the Marshall Plan, the U.S. welcomed proposals...for a European Common Market, secure in the belief it could be achieved on

terms that would promote increased trade with outsiders. History has proven that judgement correct.⁵⁷

Former Assistant Secretary of State Richard Solomon takes the opposite view. Commenting on Mahathir's proposed EAEC he said;

We are still opposed to the idea of regional trading blocs...because we think it will end up suppressing, rather than encouraging, the further expansion of international trade.⁵⁸

Puzzling as it may be, both these persons presumably speak for the official position of the American administration, yet they express exactly opposite ideas.

The prospects for the world dividing into three trade blocs do not appear to be imminent. True, the European bloc is already in place. But NAFTA, once considered a sure thing, now is less definite. The longer the agreement remains unratified by Congress, the less likely it ever will be. Even if it is finally ratified and implemented, it contains no protectionist barriers to non-members. The only harm to outsiders would be a natural shifting of trade to those nations included in the pact because of the decreased tariffs. Non-members would be free to try to recoup the lost trade by becoming more competitive. No artificial barriers would stand in their way. In fact China and Japan are already making investments in Mexico in anticipation of NAFTA being passed, allowing them to use Mexico as a side door for getting their

⁵⁷ Roger Porter, "Fortress Fears Unfounded", Far Eastern Economic Review, November 21, 1991, p. 27

⁵⁸ Susumu Awano, "A three-region world?", Far Eastern Economic Review, January 31, 1991, p. 33

products into the United States. It can thus be seen that NAFTA, by fostering more economic growth in North America, could actually result in more, not less, trans-Pacific trade.

The likelihood of an Asian trade bloc that excludes the United States is very small. The American market is simply too important to the Asian economies: U.S. trade with Asia surpassed trade with Europe more than a decade ago. It is now over one third larger.⁵⁹ The U.S. market accounts for 30% of East Asia's exports (compared to the EC's 15%). America accounts for almost twice as many East Asian exports as Japan.⁶⁰ Japan cannot replace the American market for East Asia's goods, as some argue. The world economy has become too internationalized to make protectionist trading blocs a realistic possibility. Especially for the developing economies of Asia, that are dependant on trade and foreign investment for their continued development, a breakdown in global free trade would be disastrous. This is why a universal trade system like GATT is crucial. If North America, for some reason, decided to erect a wall of protectionist barriers around its economies, Asia would be forced to do the same. It would likely be centered around Japan and constructed on a framework similar to the EAEC. Such a development would be disastrous for Japan as well as all the export-oriented Asian economies. While the United States would not be hurt quite as much, it clearly would

⁵⁹ Porter, p. 27

⁶⁰ Nigel Holloway, "An Insurance Policy", Far Eastern Economic Review, July 25, 1991, p. 52

be damaging and is not in the national interest. If the Asians were to form a non-protectionist free-trade area similar to NAFTA it would not necessarily be considered a threat to U.S. interests. It would all depend on the conditions imposed on trade with non-bloc members, and whether the United States were to be admitted as a member of the bloc. Whether any type of bloc is formulated in Southeast Asia makes no difference so far as the presence of the U.S. Navy in Southeast Asian waters is concerned. Bloc or no bloc, sea borne traffic demands naval protection, and the best instrument for that protection is the continuing presence of the American Navy. This is recognized by all the nation states in the region. It just stands to reason that if any bloc is formed, it is common sense not to exclude or alienate the Americans. This explains why Mahathir has never made any significant progress with his Economic Caucus -- he proposed to slam the door against the Americans and the Japanese as well. Continued U.S. naval presence in the region will serve as a reminder to Asian nations of the value of including America in any trade bloc. A withdrawal of American presence would only serve to decrease America's value to the region.

V. CONCLUSION

A. PROBLEM OF HOW MUCH NAVY IS ENOUGH

Determining precisely the level of naval presence required in Southeast Asia is a difficult task. It is largely a subjective question dependent on a continual fluctuation in the level of threat perception. It is important to maintain a force level sufficient to have a deterrent effect, not just enough to accomplish a specific mission. It is difficult to know just how much is enough to deter a potential enemy without overdoing it, thus running the risk of increasing resentment and hostility toward the United States. As of this writing (mid-1993) we are reducing even our regional presence in the light of domestic fiscal restraints. We must however maintain enough presence to assure all the people in the region the United States is still committed to peace and stability in Southeast Asia.

During the Cold War U.S. deployments in the Western Pacific typically featured two carrier battle groups (CVBG) and a battleship surface action group (BBSAG). Post-Cold War military budgets will necessarily reduce this level of presence, and justifiably so. Power projection into the Middle East is the one remaining interest that could justify a naval presence of this magnitude, but it is not realistic to expect to keep such a powerful force on station at all times. Not even the existing

level of tension in the Middle East can justify the current size of our Navy.

Preventing the rise of a regional hegemon is a theoretic role that could require a large naval presence. Practically at the present time a single CVBG and a few attack submarines should be enough to handle the largest regional navy (the Chinese) that could in any way be considered a threat to become a regional hegemonic power.

Other naval missions in support of U.S. interests such as keeping the SLOCs in the South China Sea leading to the Indian Ocean open, (exercising freedom of navigation, promoting and protecting U.S. commerce, and protecting U.S. citizens abroad) can be accomplished with forces smaller than a CVBG. The nature of new threats since the practical disappearance of the Russian fleet from the Western Pacific demands a new calculus for determining our naval requirements in that region. The loss of Subic Bay only accentuates the need for reassessment of numbers, types, and deployments of ships in Southeast Asia, and all such calculations can be worked out in diplomatic consultation with all the powers resident in the region, not just our "friends and allies".

B. COPING WITH THE LOSS OF SUBIC

Clark airbase in the Philippines was formally turned over to the Philippine government in November of 1991. The U.S. Navy was out of Subic Navy Base and Cubi Point Naval Air Station by the end of 1992. These facilities were invaluable to the United States

because of their geographic location and the availability of all major training and logistics functions at a single site. These functions can not be replicated at any single site in Southeast Asia.

However, this will not have a crippling effect on U.S. naval operations in the region. As stated in A Strategic Framework for the Pacific Rim: "Our Departure from Subic will not result in a reduction in afloat operations by the 7th Fleet or shrinkage in the number of ships operating in the Western Pacific. The size of the Pacific Fleet is determined by maritime interests in the Pacific, not by our access to Subic Bay"(p. 14).

In some respects the loss of the Philippine bases may turn out to be a blessing. The Navy will now more likely be calling on more ports in more countries than in the past. Commercial ship repair facilities throughout the region will be used on a greater scale. This will help to spread more U.S. good will, as well as dollars, more evenly throughout the region. By having the Philippines ask us to leave, instead of the United States deciding on its own to close expensive overseas facilities that may no longer be needed, the United States was spared the appearance of abandoning an old ally as well as the region in general.

One area where the loss of the Philippine bases could hurt the United States is in power projection to the Middle East. The storage facilities at Subic and Clark were useful in supplying the rapid response forces that were sent to the Persian Gulf at the outset of Desert Shield. The Crow Valley training facilities were

also important in training U.S. aircrews for Desert Storm. However, the Philippine government did express some concern (but they did not object) about the safety of some of their citizens in the Middle East as a result of allowing the United States to use their facilities to fight the war in the Gulf.⁶¹ It would be nice if all base facilities for protecting Pacific approaches to the Indian Ocean and Persian Gulf were located in U.S. territory, but the simple fact is that the world is too big and the needs of the Navy too extensive. Currently the closest facilities are in Hawaii, which considerably slows the response time to any critical threat in those areas. Storage facilities could be constructed a little closer on Guam, but with the current budget austerity this is not likely to happen soon.

C. THE CASE AGAINST U.S. WITHDRAWAL

A lessening of American naval presence may be inevitable, but a total withdrawal could be disastrous. It could easily spark a destabilizing regional naval arms race. Furthermore the presence of the U.S. 7th Fleet provides a buffer to expanding Chinese naval power as well as a brake on a potential future Japanese naval threat. This is a source of comfort and security to Southeast Asian nations. Any sign of a drastic reduction of security commitment to the region would in all likelihood result in an

⁶¹ Sheldon Simon, "U.S. Interests and Future Military Presence in Southeast Asia", Center for Naval Analyses, Alexandria, Virginia, 1992, p. 12

unwarranted step-up in military spending by the nations in the region.

Regional navies already have a limited power projection capability and some are expanding and modernizing. Among the naval powers in the South China Sea are:⁶²

1. China

The Chinese navy is not a world class power but it is the largest and most sophisticated navy in Southeast Asia. Currently they have 45 major surface combatants⁶³ and over 100 submarines. New classes of destroyers and frigates are being built at the Shanghai shipyards, and China has long term plans to acquire aircraft carriers. The Chinese have a proven ability to keep a naval task force at sea for at least thirty days. They are upgrading a marine brigade and have the ability to transport and land large numbers of PLA troops. China recently purchase a squadron of 24 long-range SU27 fighters from Moscow reportedly to be based in the Paracels.⁶⁴

Although much of China's naval inventory is aging and obsolete, it is still the most capable force in the South China Sea. However, it would be no match for the U.S. 7th Fleet, and is

⁶² Conboy, pp. 8-9. All naval strength figures are from here unless otherwise footnoted.

⁶³ frigate-size or larger

⁶⁴ Tai Ming Cheung, "Fangs of the Dragon", Far Eastern Economic Review, August 13, 1992, p. 20

likewise no match for Japan. In terms of world power the Chinese Navy is no threat to dominate the region.

2. Thailand

Although Thailand is not part of the territorial dispute in the South China Sea, its navy has been undergoing an ambitious modernization program. Recent acquisitions include three indigenous-built anti-submarine corvettes, four Chines-made frigates with helicopter decks. Discussions are currently underway to purchase from the U.S. four Knox-class frigates, and thirty A-7E aircraft to form a naval air wing. Thailand also maintains a Marine Corps and Navy SEAL commandos. Future plans include a German-built helicopter support ship that can carry Harrier V/STOL aircraft. This too is tiny in terms of world power.

3. Malaysia

Like Thailand, Malaysia is undergoing an extensive naval modernization program. They have contracted to buy two British corvettes and are seeking to buy four diesel submarines from Sweden. Moscow has offered to sell Malaysia forty sophisticated MiG29 fighter aircraft at favorable prices.⁶⁵ If Malaysia gets everything it wants, it still is in no position to meet any challenge at sea except a challenge from one of its neighbors.

4. The Philippines

The Philippine Navy is the least capable regional navy for projecting power into the South China Sea. Internal insurgency has

⁶⁵ Cheung, p. 20

resulted in most of their maritime forces being committed to coastal defense and riverine operations. Manila has announced plans to buy three missile boats from Spain, and three other gunboats from Australia. The fact of the matter is that the Philippine Navy is in such miserable shape, that they congratulate themselves when their ships are able to put to sea. Interestingly, The Philippines claims that its 1951 mutual defense agreement with the U.S. extends to their claims on the Spratlys. The U.S. disagrees.

5. Vietnam

In terms of numbers Vietnam has the largest navy in Southeast Asia. However, the numbers alone are misleading as much of their navy is obsolete or unserviceable. Much of what was acquired from South Vietnam is obsolete, and there is no longer any military assistance coming from the Soviet Union. Economic pressures are forcing Hanoi to further reduce military spending.

As Southeast Asian nations, particularly the ASEAN countries, become more prosperous they will have the means to purchase (or manufacture) more sophisticated weapons in greater numbers. Maritime trade is of particular importance to the countries of the region and the means to protect that trade is perceived to be a necessity, but it will be a long time until any local nation can provide any semblance of that protection on their own. As long as the United States maintains a strong naval presence, Southeast Asian nations will not feel compelled to strive for unlimited naval

power. Chinese military assertiveness in the Spratlys as well as other territorial disputes between countries of the region can provide the spark that may result in future conflict. The U.S. 7th Fleet is by far the most powerful force in the western Pacific and its continued presence will serve as an assurance to the region that stability will be maintained. This assurance will temper the naval arms race and minimize any disruptive conflicts either by China, Japan or one of the Southeast Asian nations.

D. CONCLUSION

The U.S. already has a significant commercial presence in South East Asia and it can be expected to grow in the future. Associated with this presence there are a large number of Americans living and working in the region. It is a basic obligation of the U.S. government to protect these Americans and any legitimate commercial interests Americans have in the region. It has always been a traditional role of the Navy to fulfill this obligation.

The free flow of oil from the Middle East through international waters, including the Strait of Malacca, to the United States and other nations is a vital interest of the United States. This flow of oil must be guaranteed if the industrialized economies of the world are to continue to function. The Navy is the force most capable of guaranteeing freedom of navigation and access to ensure the flow of oil continues once it leaves the Gulf.

Finally, stability in Southeast Asia is vital if the above mentioned interests are to remain unthreatened. The reassurance the nations of the region gather from a strong U.S. naval presence is essential if they are to continue to focus on their own continuing economic and political development. Any potentially unfriendly outside power with hegemonic ambitions in Southeast Asia must be made to recognize that the United States is willing and prepared to defend its interests in the region by whatever means necessary.

If peace and stability in Southeast Asia can be maintained, economic prosperity, and the development of democratic governments that respect basic human rights can continue. This is surely in the U.S. national interest and a strong naval presence is an important key.

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